PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: The Fountains at Fairview, LLC
DOCKET NO.: 05-02351.001-C-2
PARCEL NO.: 03-22.0-306-005

The parties of record before the Property Tax Appeal Board are The Fountains at Fairview, LLC, the appellant, by attorney Garrett C. Reuter of Greensfelder, Hemker & Gale, P.C., Swansea; the St. Clair County Board of Review; and Community College Dist. No. 522, intervenor, by attorney Sean Cronin of Becker, Paulson, Hoerner & Thompson, P.C., Belleville.

The subject property consists of a 2.558 acre or 111,434 square foot site improved with a one-story building with approximately 20,000 square feet of gross building area. The building is of steel frame and gypsum board over wooden studs construction. The building was completed in 2002. A majority of the building is used for meetings, conferences, receptions and banquets. The subject building is attached to an adjacent Sheraton Four Points Hotel and is designed and used as a conference center. The property is located in Fairview Heights, Caseyville Township, St. Clair County.

The appellant appeared before the Property Tax Appeal Board contending overvaluation as the basis of the appeal. In support of this argument the appellant submitted a narrative appraisal prepared by real estate appraiser Russell N. Rench. Rench estimated the subject had a market value of $1,100,000 as of January 1, 2005.

The appellant called as its witness Russell N. Rench. Rench is an Illinois State Certified General Appraiser. In estimating the market value of the subject property Rench developed the cost approach to value and the income capitalization approach to value. Rench testified that in doing his research it became clear to him that the income capitalization approach would be the primary tool of analysis in appraising the subject property. He testified that in his research he was not able to locate sales of

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds *a reduction* in the assessment of the property as established by the **St. Clair** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$	166,900
IMPR.:	$	200,280
TOTAL:	$	367,180

Subject only to the State multiplier as applicable.

conference centers that would be useful; therefore, the sales comparison approach was not developed.

The appraiser was of the opinion the subject's highest and best use as improved was its continued use as a conference center. The appraiser also testified that a willing buyer of the subject property would ask for the subject's financial statements because the purchaser would be buying an income stream.

In developing the income approach Rench used historical income data for the facility provided to him by the management company. The appraisal stated that income and expense statements for calendar years 2003 and 2004 and for the first 10 months of 2005 were available for analysis. The appraisal also stated that management's current rental rates and menus were available for review and limited revenue data for other hotel and conferences centers were gathered from the management company. Rench also stated in his report that the audited fiscal year 2005 financial statements for the freestanding Gateway Conference Center were gathered and reviewed. The historical operating data in the report indicated that the property had gross revenues of $1,273,538, $1,528,481 and $1,552,724 for 2003, 2004, and through October 2005, respectively. After deducting departmental expenses, undistributed expenses and fixed expenses the net operating income for the subject for this same period was reported as -$80,811, $88,315 and $104,561, respectively.

In the report the appraiser stated the Gateway Conference Center located in Collinsville has nearly 40,000 square feet of meeting space. The appraiser indicated that the property is publicly funded and does not generate enough revenue from business operations to cover expenses. The data for the Gateway Conference Center included in the appraisal indicated this property had $1,383,504 in gross revenue at the end of the fiscal year that ended on April 30, 2005. Total department expenses were listed as $1,577,770 resulting in a net operating income loss of $194,266.

Rench also included in his appraisal revenue information from other hotel conference centers in the St. Louis areas for the period January through October 2005. These comparables were reported to have total meeting spaces ranging from 12,947 to 26,755 square feet and revenues ranging from $1,139,606 to $3,814,076 of from $94.89 to $161.45 per square foot. Rench also provided in the appraisal a survey of rates charged at competing facilities. The survey indicated the subject property had ballrooms/exhibit halls that ranged in size from 784 to 8,568 square feet with daily rates ranging from $200 to $1,800; conference rooms ranging in size from 264 to 814 square feet with a daily rate of $300 and a boardroom with 567 square feet with a daily rate of $200. The competing comparables listed by Rench with corresponding rental data were located in Collinsville, Fairview Heights and Belleville. These comparables had ballroom daily rental rates ranging from $525 to $2,950; conference room daily rental rates ranging from $75 to $300; and boardroom daily rental rates from $100 to $275.

The appraiser developed a stabilized operating statement using the subject's operating history as well as considering the data provided by the comparables. He estimated the subject's stabilized total gross revenue was $1,596,356. Stabilized total operating expenses, excluding property taxes, were estimated to be $1,443,284. The appraiser estimated the subject would have a stabilized net income of $153,072. Using a survey of market conditions and requirements of investors and lenders, Rench estimated the subject property would have a capitalization rate of 10.25% to which he added an effective tax rate of 2.12% to arrive at an overall capitalization rate of 12.37%. Capitalizing the subject's stabilized net operating income resulted in and estimate of value under the income approach of $1,237,445. From this the appraiser deducted $134,744 for the value of the furniture, fixtures and equipment (FF&E) to arrive at an estimate of value under the income capitalization approach of $1,110,000.

Rench also developed the cost approach to value. The first step under the cost approach was to estimate the land value using three comparable land sales. The comparables ranged in size from 73,800 to 174,240 and sold from June 2003 to September 2004 for prices ranging from $731,800 to $1,000,000 or from $4.20 to $12.74 per square foot. After making adjustments to the comparables for time, accessibility, size and physical attributes the appraiser estimated the comparables had adjusted prices ranging from $4.67 to $7.31 per square foot. Using this data the appraiser estimate the subject had a unit value of $6.00 per square foot of effective site area of 83,834 square feet resulting in a land value of $500,000. The appraiser noted that a portion of the subject parcel is composed of a retention pond; therefore, he utilized the effective useable area in estimating the land value.

Rench next estimated the replacement cost new of the subject improvements using the Marshall Valuation Service. Rench estimated the subject would have a cost new adjusted for overhead and profits of: building improvements, $3,234,538; site improvements, $198,260; and FF&E, $935,724 resulting in a total cost new of $4,368,522. The appraiser estimated physical depreciation for the building improvements using an age of 2 years and an economic life of 45 years (4.44%); for the site improvements an age of 2 years and an economic life of 20 years (10%); and for FF&E an age of 2 years and an economic life of 10 years (20%). The appraiser estimated the total depreciation for the subject using the age-life method of $350,728.

The appraiser asserted the subject property is not generating sufficient income to support the costs of development. As a result the appraiser was of the opinion there was additional depreciation inherent in the property which he described as extraordinary economic obsolescence. Rench estimated the subject suffered from $3,294,591 in extraordinary economic obsolescence.

Deducting $3,645,319 in total depreciation from the cost new of $4,368,522 and adding the land value resulted in an estimate of value of $1,223,203. The appraiser then deducted $134,744 as the contributory value of the FF&E to arrive at an estimate of value under the cost approach of $1,090,000.

In reconciling the two approaches to value the appraiser gave most emphasis to the income approach and estimated the subject property had a market value of $1,100,000 as of January 1, 2005.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final assessment of the subject totaling $706,331 was disclosed. The subject's assessment reflects a market value of approximately $2,116,030 using the 2005 three year median level of assessments for St. Clair County of 33.38%. The board of review submitted an aerial photograph of the subject as well as photographs of the subject's exterior and interior. The board of review also provided a cost approach to value contained on a property record card, a copy of a page from the Marshall Valuation Service, and a written statement explaining its argument.

The property record card had a total value for the subject property of $2,094,405. The board of review's representative indicated that the photographs were submitted to demonstrate the subject is a good quality convention center. The board of review's representative indicated the page from the Marshall Valuation Service was included to show the cost new for convention centers.

The board of review also argued the appellant's appraiser's deduction for extraordinary economic obsolescence was not warranted. The board of review argued the income data submitted by the appellant's appraiser demonstrates a steady increase in income and the subject's stabilized expense ratio of 90.4% is extremely high. The board of review also argued the appellant's appraiser's departmental expenses seem high and there was no indication of what was included in the "other expenses" line item. The board of review also argued the appellant's appraiser's estimated capitalization rate seemed high.

The board of review indicated that it would stipulate to reduce the subject's total assessment to $666,601.

Under cross-examination the board of review's witness indicated the cost approach given primary emphasis because it is new construction. The income approach was not used due to the lack of market data to develop a market derived analysis.

The intervening taxing body submitted no independent evidence of value nor did it present any witnesses.

After hearing the testimony and considering the evidence the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal. The Board further finds the evidence in the record supports a reduction in the subject's assessment.

The appellant argued the market value of the subject property was not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The subject property had an equalized total assessment $706,331, which reflects a market value of approximately $2,116,030 using the 2005 three year median level of assessments for St. Clair County of 33.38%. The appellant submitted an appraisal and presented the testimony of the appraiser estimating the subject property had a market value of $1,100,000 as of January 1, 2005. The board of review submitted a cost approach contained on a property record card estimating the subject had a total market value of $2,094,405. After reviewing this data and considering the testimony of the witnesses the Property Tax Appeal Board finds the best evidence of market value was presented by the appellant.

The Board finds the appellant's appraiser's analysis was more thorough, rigorous and better supported than the estimate of value presented by the board of review. The appellant's appraiser utilized both the income and cost approaches to value in arriving at his estimate of market value. Alternatively, the board of review used only the cost approach to arrive at its estimate of value. In comparing the two cost approaches the appellant's appraiser's analysis contained much more detail including an estimate of land value using comparable land sales; a detailed cost new estimate for the building, site improvements, and FF&E; and a detailed explanation of the estimate of depreciation. The cost approach provided by the board of review had no such detail or supporting testimony.

The Board also finds the appellant's appraiser's income approach was supported by reference to market data and consideration of the subject's operating history. The Board finds that Rench developed a credible estimate of the subject's stabilized income and expenses. The report also provided a credible estimate of the capitalization rate to be used to capitalize the subject's stabilized net operating income into an estimate of market value. Although the board of review questioned the data and the appraiser's conclusions based on the data, it did not provide any independent market data or expert testimony to refute the appraiser's conclusions or to offer an alternative estimate of value under the income approach.

Based on this record the Property Tax Appeal Board finds the subject property had a market value of $1,100,000 as of January 1, 2005. Since market value has been established the 2005 three year median level of assessments for St. Clair County of 33.38% shall apply.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.

Chairman

Member

Member

Member

Member

DISSENTING:

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: August 14, 2008

Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for the subsequent year directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.